

From: Boyle, Chris
Sent: Friday, February 02, 2018 11:44:28 AM
To: Menke, Sean; Morgan, Kathy; Cells, Rodrigo; Doshi, Vinit; Jones, Wade; Samuel, John; Simonson, Rick; Rosa, Christopher; Shirk, Dave; Gonzalez, Rachel
CC: Gasparro, Michael; Kremer, Drew; Lenahan, Melanie; Wagner, Shelby; Muro, Lori
Subject: Farelogix Update Materials

Attachments: Project Marlins Review_2.2.18.pdf; image001.png; image003.png

Please see materials attached for this afternoon discussion.

Thanks,
Chris

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Project Marlins Deal Discussion

February 2, 2018

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FLX Workshop Highlights

- Technology built to be flexible, scalable, fast - - design philosophy based on independence from any systems, data sources
- FLX Merchandising ("FLX M") is the lead offering in their land + expand vision. FLX M has its own orchestration with other engines and was built to price with any source (i.e., not ATPCO dependent)
- FLX Rules is a common UI across all engines (Merchandising, Shop & Price, Availability, Schedule Builder)
- FLX Open Connect and the NDC API work together to enable orchestration (including transforming different message formats) and distribution to third parties, and this is where airline specific business logic resides
- Have concept of Master Itinerary which is a sort of "super-PNR", which will track and should facilitate One Order
- Support different ticketing models, including no ticket
- All systems/engines/data speak XML
- Limited intelligence in platform today, though claim investment in machine learning and have conceptual view on next gen revenue optimization / BI that seems consistent with our thinking
- Have some custom and local install, though talked of product release cycles and no branches older than 6 months
- Depend heavily on proprietary development, including for web services, Java script plug-in, virtualization engine; claim 3rd party tech did not deliver sufficient performance or scale, though clearly something to understand further
- Total team ~200; 145 in Miami; total includes ~100 developers, 25 person OR (need to confirm) team. Leadership team seemed very strong, very tech oriented

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Summary Deal Rationale

Benefits/Attributes

Questions/Considerations

<p>FLX Merchandise ("FLX M") + Other Engines</p>	<ul style="list-style-type: none"> • Leading position with large carriers, claim to have never lost a retailing RFP • Prior view was 8 carriers using FLX M and possibly more, and recently won an LCC to be announced in spring • Other engines are relatively new, but could be promising • Product integration to PSS should lead to incremental Sabre AS revenue, both with hosted and non-hosted carriers (e.g., PSS wins, ATSE+FLX) 	<ul style="list-style-type: none"> • Understand current volume and type of transactions, organic growth pipeline • Efficacy of offers / value to airlines • Compare component capabilities – could be opportunity to rationalize roadmaps
<p>GDS Integration</p>	<ul style="list-style-type: none"> • FLX Open Connect / Distribution Manager / NDC API may have technology that accelerates and improves our integration of offers, though not clear -- working closely with team seems a clear benefit • Have market position to define the standard • Simple concept of [Bookings x Incremental Booking Fee = New Revenue] is how FLX sees value creation, regardless of how much value should be shared 	<ul style="list-style-type: none"> • Incremental value capture for Sabre and commercial model evolution • Unclear transaction volume flowing through OC/NDC API
<p>Possible Product Opportunity Areas</p>	<ul style="list-style-type: none"> • Decision Support / revenue optimization • LCC PSS + e-Commerce • IX Integration • Would FLX Ticketing help Sabre TPF offload? • DCS integration • Merchandising / Rules engine application to Hotels and other content • Rules engine use to manage policy for Get There 	

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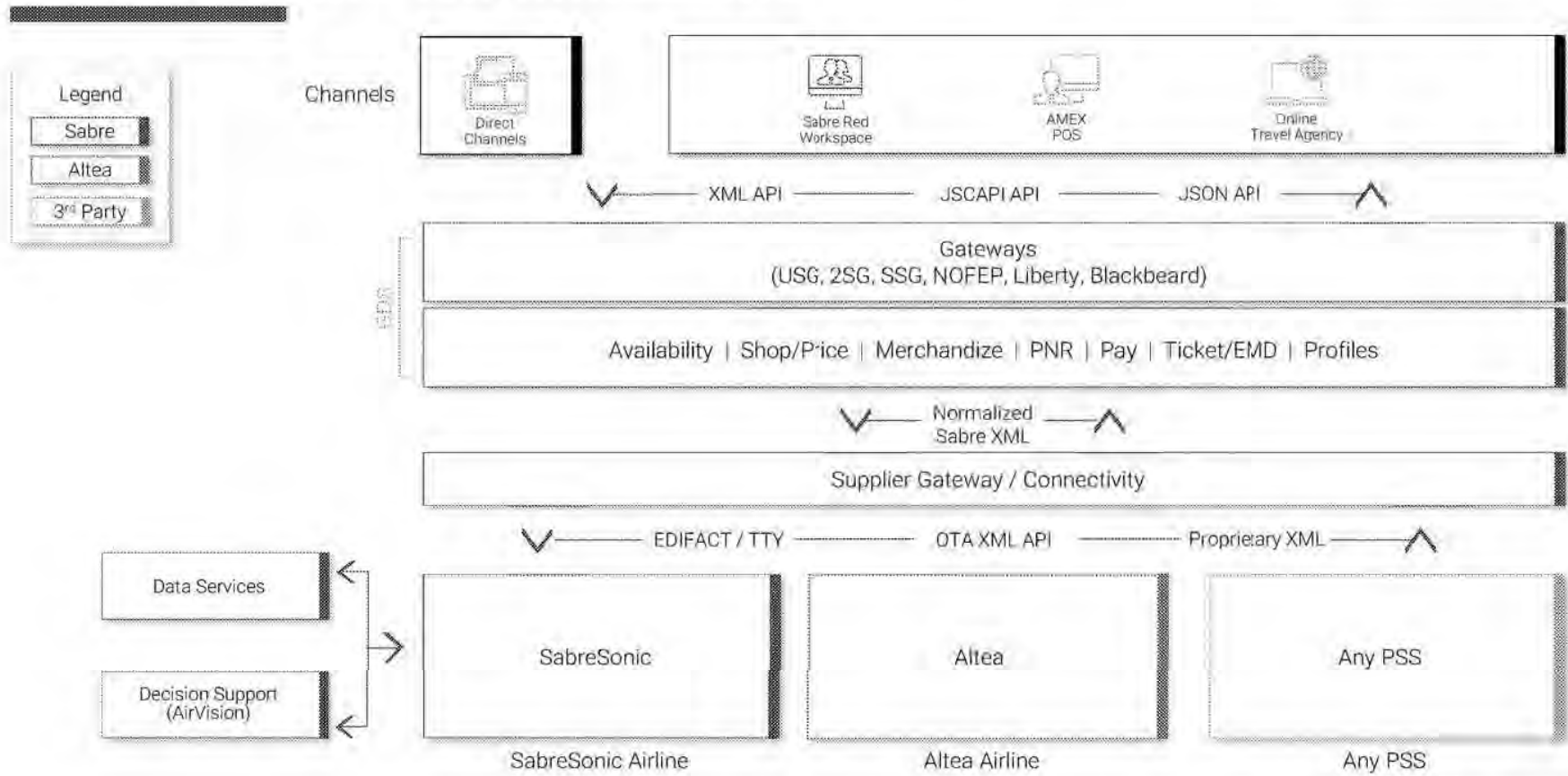
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What we have to believe

- **We will keep and expand upon the FLX “seat at the table” and that FLX contracts are not limiting**
- **FLX products / tech are high quality, scalable and without tech debt and we understand how to integrate them (process started with Use Case workshop and generally favorable views, though lots of proprietary tech)**
- **We can continue / accelerate the FLX organic growth plan, including growth with non-Sabre hosted customers**
- **We can acquire new customers and expand the wallet with existing airlines based on better integration of a product suite to retail, distribute and fulfill**
- **We can accelerate and better enable airlines to merchandise, brand, etc. through the GDS and we will generate incremental compensation for this**
 - **This may require a new commercial model, e.g., % of revenue model, that may / may not be combined with direct distribution fees**
- **FLX team is interested to stay and we can appropriately utilize them**

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Current State Marketecture

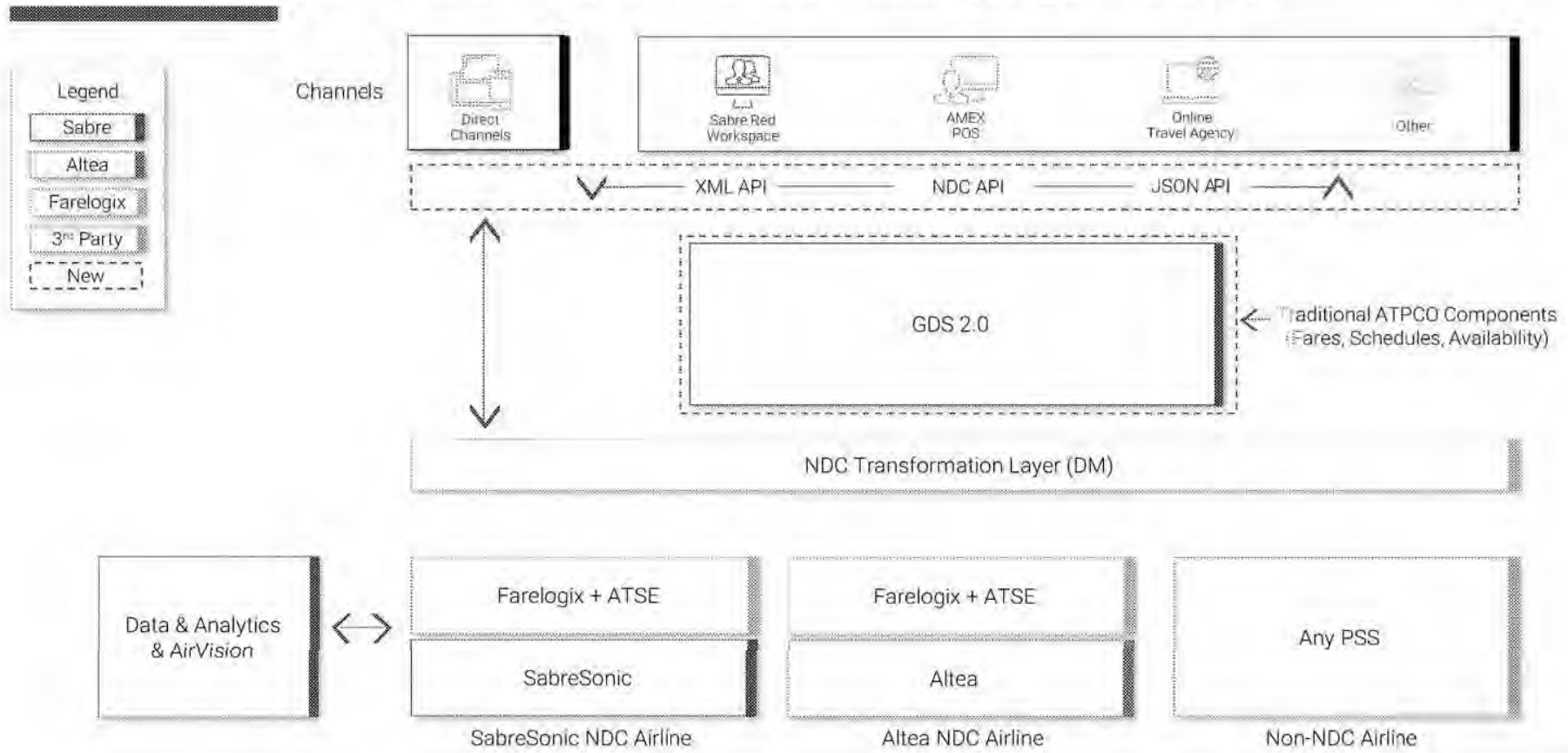


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Future State NDC+ Marketecture (high-level)

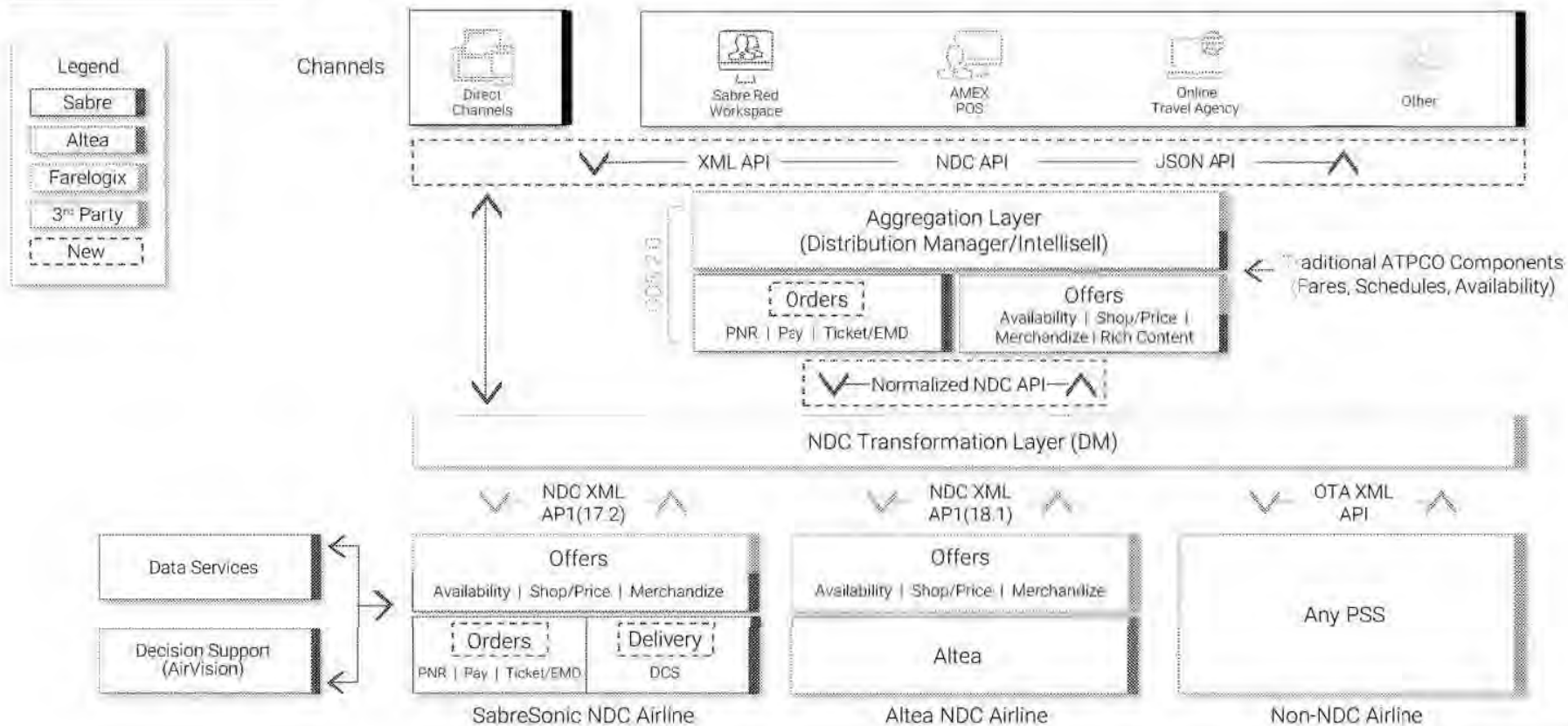


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Future State NDC+ Marketecture (detailed)



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Potential Deal Process Timeline

- **Jan 29-30:** Use Cases Workshop – Product / Tech review and recommendation
- **Feb 2:** Report on Product and Technology Findings Due from Team
- **Feb 7:** Send Short Business Diligence Question List to FLX
 - Jim Davidson wants to follow Use Case Workshop with executive conversation on M&A opportunity, i.e., how we can create value together, to try to anchor higher price. We want to have a baseline on financials, customers, etc. before this.
- **End Feb:** Evaluate Answers and Develop LOI with exclusivity. Seek internal approval to bid
 - May seek to have CEO meeting prior to submitting or along with submitting LOI
- **Early Mar:** Negotiate LOI as needed
- **March:** Business, Technology Diligence + Begin Drafting Documents
- **April:** Continue Diligence, Negotiate Deal Documents, Begin Integration Plans, Prepare HSR Filings
- **Early May:** Sign and Announce Deal
- **Early June:** Close post HSR 30-day waiting period (assumes no Second Request)

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Next Steps Diligence Questions

- **Provide audited financial statements for 2015-2017 (2017 financial statements consistent with audit); income statements, balance sheets, cash flow statements**
- **Provide financial presentation for historical periods 2015-2017 and forecast 2018-2020 to include;**
 - Revenue by product and type (i.e. license, implementation fees, professional services, etc.) and any relevant revenue drivers / build-up (such as passengers boarded, segments, etc.)
 - For the top 10 customers, revenue by customer by product by type
 - Expenses by category
 - Capex detail (e.g., maintenance, customer defined/revenue tied, R&D with any other relevant breakdown)
- **Number of customers by product, version and deployment model (local, hosted) as well as transaction type and volume by product (regardless of whether compensated by volume)**
- **Capitalization table / ownership summary**
- **Contract summary and/or answers to following:**
 - Separate contracts per product?
 - Any transaction / volume oriented constructs included in contracts? Which products? And if so, what is the approx. revenue that this is driving by period?
 - Do contracts define specific use cases by product or are they broad uses; i.e., does an airline pay a fixed license fee for FLX M regardless of how and what transactions it is used for?
 - Change of control / assignment summary
- **Number of people by function and location, plus any skill set breakdown**